

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

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In re : **Chapter 9**
CITY OF DETROIT, MICHIGAN, : **Case No. 13-53846**
Debtor. : **Hon. Steven W. Rhodes**
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**LIMITED OBJECTION AND RESERVATION OF RIGHTS OF FINANCIAL
GUARANTY INSURANCE COMPANY TO MOTION OF THE DEBTOR FOR
A FINAL ORDER PURSUANT TO (I) 11 U.S.C. §§ 105, 364(C), 364(D)(1),
364(E), 902, 904, 921, 922 AND 928 (A) APPROVING POSTPETITION
FINANCING AND (B) GRANTING LIENS AND (II) BANKRUPTCY
RULE 9019 APPROVING SETTLEMENT OF CONFIRMATION OBJECTIONS**

Financial Guaranty Insurance Company (“**FGIC**”) files this limited objection and reservation of rights (the “**Reservation**”) to approval of the *Motion of the Debtor for a Final Order Pursuant to (I) 11 U.S.C. §§ 105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922 and 928 (A) Approving Postpetition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections*, dated August 11, 2014 [Docket No. 6644] (the “**Motion**”). In support of this Reservation, FGIC respectfully states as follows:

1. Although FGIC supports the relief set forth in the Motion, FGIC continues to negotiate certain issues with the City and the DWSD. The resolution of these issues likely will result in changes to the Proposed Order. In addition, the Proposed Order must be revised in certain limited respects to reflect the specific terms of FGIC’s agreement with the City. In particular, the following four issues remain outstanding.

2. First, the relief requested in the Motion will require amendments to certain of the Transaction Documents. Pursuant to the terms of the Transaction Documents, certain of these amendments require FGIC's consent. FGIC has advised the City and the DWSD of this issue, and the parties are in the process of negotiating this consent. In the event that the parties are unable to reach an agreement, FGIC reserves the right to object to the Motion. In addition, in the event the City decides to pursue a direct purchase of the 2014 DWSD Revenue and Revenue Refunding Bonds to Citibank, N.A., this would require FGIC's additional consent and further amendment of the Proposed Order.

3. Second, FGIC is in the process of negotiating with the City and the DWSD certain revisions to paragraph 24 of the Proposed Order. In the event the parties are unable to reach an agreement, FGIC reserves the right to object to this paragraph in the Proposed Order.

4. Third, paragraph 25 of the Proposed Order provides that, on the Settlement Date, among other things, "the DWSD Plan Objections will be deemed to be withdrawn." As defined in the Motion, "DWSD Plan Objections" includes (among other things) FGIC's entire Plan objection, which objection includes arguments unrelated to the Existing DWSD Bonds. The Motion, and FGIC's agreement thereto, is intended only to resolve objections to the Plan with respect to the Existing DWSD Bonds. Accordingly, the Proposed Order must be revised to clarify that FGIC's DWSD Plan Objection shall only be deemed withdrawn to the extent that such objection relates to Existing DWSD Bonds.

5. Fourth, although the Motion states that (i) the Resolved DWSD Fee Claims relate only to the professional fees and expenses incurred by certain of the DWSD Settlement Parties in connection with DWSD claims in the City's chapter 9 case, and (ii) FGIC

has reserved the right to request reimbursement of a success fee for its financial advisor to the extent that any other DWSD bond insurer receives reimbursement for a success fee for its financial advisor, neither of these points is addressed in the Proposed Order. FGIC requests that the Proposed Order be revised to (i) include reference to FGIC's reservation of rights with respect to reimbursement of its financial advisor's success fee, and (ii) clarify that the City's reimbursement of \$550,000 to FGIC resolves only FGIC's claim for fees and expenses incurred through the end of June 2014 in connection with the Existing DWSD Bonds, and does not include any other amount, including, but not limited to, any consent fee that may be payable to FGIC in connection with the relief requested in the Motion or any fees and expenses that FGIC has incurred with respect to other claims against the City unrelated to the Existing DWSD Bonds.

6. On August 18, 2014, counsel for FGIC advised counsel for the City and counsel to the DWSD of these outstanding issues.

7. As of the filing of this Reservation, the parties have not yet resolved these points, and therefore, FGIC was required to file this Reservation.

Dated: August 20, 2014
Houston, Texas

/s/ Alfredo R. Pérez

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CERTIFICATE OF SERVICE

I hereby certify that on August 20, 2014 the *Limited Objection and Reservation of Rights of Financial Guaranty Insurance Company to Motion of the Debtor for a Final Order Pursuant to (I) 11 U.S.C. §§ 105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922 and 928 (A) Approving Postpetition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections* was filed and served via the Court's electronic case filing and noticing system to all registered users that have appeared in this Chapter 9 proceeding.

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